

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1214 - SB 1194

March 8, 2023

SUMMARY OF BILL AS AMENDED (004560): Makes various revisions regarding home school students and the operation of public charter schools. Establishes that: 1) public charter schools authorized by the Public Charter School Commission (Commission) may be formed to provide residential or boarding program for all at-risk students in grades six through twelve (6-12) residing within this state; and that hybrid public charter schools may be formed to provide quality educational options for all home school students residing within this state. Authorizes the sponsor seeking to establish a public charter school to provide a residential or boarding program for at-risk students in grades (6-12) to apply either to a local board of education (LEA) or directly to the Commission. Requires the sponsor seeking to establish a hybrid public charter school to apply directly with the Commission.

Authorizes hybrid public charter school and public charter schools providing residential or boarding programs to enroll students residing outside the geographic boundaries of the LEA regardless of the LEA's out-of-district enrollment policy. Establishes certain instructional requirements for home school students and public charter schools. Authorizes tuition to be charged for certain out-of-district students by the LEA in which the hybrid public charter school is located and to which the student transfers. Prohibits public charter schools providing residential or boarding programs from charging registration fees, enrollment fees, or tuition.

Effective January 1, 2024 for most purposes of the legislation.

FISCAL IMPACT OF BILL AS AMENDED:

Increase State Expenditures –

**\$294,300/FY23-24/Public Charter School Commission
\$468,600/FY24-25 and Subsequent Years/
Public Charter School Commission**

Other Fiscal Impact – Authorizer fee collections imposed on authorized public charter schools are estimated to be sufficient to cover all expenditures incurred by the Public Charter School Commission.

The addition of any new hybrid public charter schools or residential boarding programs may lead to increased local revenue from the sale or lease of existing buildings and property and increased local expenditures. Any impact on local government is dependent on the terms of any agreement and cannot be reasonably determined.

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Assumptions for the bill as amended:

- The Commission serves as the LEA of its authorized charter schools in accordance with Tenn. Code Ann. § 49-13-128(e) and, therefore, is required to fulfill the same responsibilities of all other school districts in the state of Tennessee in addition to fulfilling its responsibilities of being a charter school authorizer.
- According to the Commission's FY21-22 Annual Authorizer Fee Report, the Commission funded its work through state appropriations, federal emergency education relief funding, and through the collection of an authorizer fee of three percent per pupil state and local funding from each of its authorized charter schools.
- Of the \$636,182 the Commission collected from the authorizer fee, \$427,545 was spent on various purposes. Additional public charter schools that will be created as a result of this legislation will also be subject to the authorizer fee. The Commission reverted \$684,082 in funding in FY21-22 and is anticipating total authorizer fee collections of \$1,521,600 in FY22-23. It is therefore assumed that any expenditures incurred by the Commission as a result of this legislation will be covered by authorizer fee collections.
- Charter schools are funded primarily by state and local funds, which are allocated to the charter school by the local board of education in an amount equal to the per student state and local funding received by the school district. Federal funds are also allocated to the charter school based on federal laws and regulations, including Title I and the *Individuals with Disabilities Act* (IDEA).
- Home school students that enroll in public charter schools will be funded through the Tennessee Investment in Student Achievement (TISA) funding formula.
- The proposed legislation requires that state and local funds generated and required through the TISA a student must follow the student into the LEA in which a public charter school is located, and to which the student transfers.
- The proposed legislation is effective January 1, 2024, for most purposes of this legislation.
- In accordance with Tenn. Code Ann. § 49-13-108, the Commission would have to run an application review cycle between April and July, and then run a new-start appeal cycle; this will require additional meetings since the Commission currently only meets quarterly.
- The Commission will require two additional meetings each year and it is estimated that travel, lodging, and food expenses for each meeting will total \$5,000.
- The increase in state expenditures is estimated to be \$5,000 in FY23-24 and \$10,000 (\$5,000 x 2) in FY24-25 and subsequent years.
- The Commission will require four additional staff to directly support alternative and/or non-traditional charter schools.
- One Education Program Director 1 position is estimated to increase state expenditures by \$122,656 (\$98,904 salary + \$23,752 benefits). Due to the effective date, 50 percent of such increase, or \$61,328 (\$122,656 x 50%) will be incurred in FY23-24.
- One Assistant Council position is estimated to increase state expenditures by \$107,265 (\$85,704 salary + \$21,561 benefits). Due to the effective date, 50 percent of such increase, or \$53,633 (\$107,265 x 50%) will be incurred in FY23-24.

- Two coordinator positions are estimated to increase state expenditures by \$188,644 [(\$74,604 salary + \$19,718 benefits x 2)]. Due to the effective date, 50 percent of such increase, or \$94,322 (\$188,644 x 50%) will be incurred in FY23-24.
- Travel costs for site visits, meetings, and oversight is estimated to increase state expenditures \$20,000 (\$5,000 x 4). Professional development expenses for conferences and required training is estimated to increase state expenditures by \$20,000 (\$5,000 x 4). Due to the effective date, 50 percent of such increases, or \$20,000 [(\$20,000 + \$20,000) x 50%] will be incurred in FY23-24.
- There will be additional costs to develop rules and frameworks to support the new types of schools; support application reviewers; and to expand student information systems and other district systems to support schools. The one-time increase in state expenditures in FY23-24 is estimated to be \$50,000.
- The one-time increase in state expenditures in FY23-24 for laptops, technology, and supplies is estimated to be \$10,000 (\$2,500 x 4).
- The increase in state expenditures to the Commission is estimated to be \$294,283 (\$5,000 + \$61,328 + \$53,633 + \$94,322 + \$20,000 + \$50,000 + \$10,000) in FY23-24.
- The increase in state expenditures to the Commission is estimated to be \$468,565 (\$10,000 + \$122,656 + \$107,265 + \$188,644 + \$20,000 + \$20,000) in FY24-25 and subsequent years.
- If new public charter schools are authorized, there may be additional shifts in state and local TISA funding. Additionally, charter schools are typically responsible for securing their own facilities and supplies depending on the terms of the agreement, and may lead to increased local revenue from the sale or lease of existing buildings and property and increased local expenditures. Any impact on local government is dependent on the terms of any agreement and cannot be reasonably determined.
- For any public charter school that is authorized to and provides a residential or boarding program for at risk students, a permissive increase in local expenditures will occur. However, due to multiple unknown variables, a precise fiscal impact cannot reasonably be determined.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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